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SENSITIVE

DEPARTMENT FOR WHA/CEN

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SUBJECT: BERGER RECOVERS AFTER STUMBLE

REF: A. GUATEMALA 1241

[1](#)B. GUATEMALA 1259

[1](#)1. (SBU) Summary: Criticism lingers of Berger's handling of his private talks with the FRG, but the political storm has apparently passed and media criticism has decreased considerably. Berger shored up the GANA coalition after the departure of Security Commissioner Otto Perez Molina and his Patriot Party by convincing wavering leaders of the National Solidarity Party (PSN) that he had not made an alliance with the FRG. After human rights activists suggested she resign in protest, Goodwill Ambassador Rigoberta Menchu strongly defended the GANA's willingness to work with the FRG to pass fiscal reforms. On May 19, Attorney General Florido denied any negotiation with the FRG on impunity issues, and announced that the Public Ministry had in fact redoubled its efforts to prosecute FRG corruption involving Rios Montt's son, Gen. (ret.) Enrique Rios Sosa, and other FRG members. Berger announced that Otto Perez Molina would not be replaced as Commissioner of Security and Defense, and said he would personally direct the modernization of the military.

[1](#)2. (SBU) After concerns about further fracturing of the ruling GANA coalition passed, media and public attention has returned to the fate of the crucial fiscal reform package pending before Congress. A meeting on May 18 between Berger and President of Congress Rolando Morales initially fueled speculation about an agreement in support of the reforms between the GANA and the National Unity for Hope Party (UNE), subsequently dashed by UNE leader Alvaro Colom, who denied any such deal. After meeting with FRG leader Efraim Rios Montt, FRG Congress members reiterated support for passage of the fiscal pact on May 20. The fiscal pact reforms were formally introduced to Congress on May 19 and 20, and sent to five Congressional committees for review. The GANA and FRG have majorities in four of the five. The fifth, the Indigenous Affairs Commission, is handling review of the most controversial element of the reforms--personal income tax changes. Signaling flexibility, Berger publicly indicated he would accept changes to the initiative. End Summary.

No GANA-FRG Alliance

[1](#)2. (U) On May 18, Berger and Vice President Stein repeatedly denied any "alliance" between the GANA and FRG. Instead, Stein characterized the accord as a "circumstantial" agreement to approve urgent fiscal reforms. Former FRG Vice President Francisco Reyes Lopez also publicly denied any such agreement. PSN leaders met with Berger on May 18 and later announced their decision to stick with the GANA coalition, but a party leader warned that "if there is any other secret agreement with the FRG, we will leave."

[1](#)3. (U) Attorney General Florido held a press conference on May 19 to deny any negotiation with the FRG over pending investigations/prosecutions for corruption or other crimes committed while in office. Instead, he announced that the investigation of July 24-25, 2003 demonstrations organized by the FRG would be broadened from six to ten suspects (including FRG leader Gen. (ret.) Efraim Rios Montt, currently under house arrest). He also announced that the Public Ministry had requested a travel ban (subsequently granted by the court) on Gen. (ret.) Enrique Rios Sosa, who is under investigation for his role in corruption when he served as Army Finance Director in 2001-2002. Despite these moves, on May 20 FRG Congress members announced their support for the fiscal reforms after meeting with their leader, Efraim Rios Montt, at home, where he is under house arrest.

[1](#)4. (U) In her public statements on May 18, Nobel Peace Laureate Menchu defended the GANA's engagement with the FRG as necessary, saying "the most important thing to govern the country is the institutional relationship among those who participate in the political process. The FRG is one of the parties in that process, and the President is thinking of asking for their support for the fiscal reforms. If the fiscal reforms are not approved, the State pantry will remain

bare and an economic crisis could threaten stability." She went on to say that "I hope an investigatory commission (to charge him with genocide for human rights violations under his leadership in 1982-83) is quickly convoked to judge Rios Montt." Some human rights leaders had earlier suggested Menchu, Frank LaRue and Helen Mack resign their government positions to protest any cooperation between the GANA and the FRG.

15. (U) President Berger publicly stated on May 18 that Perez Molina will not be replaced as Security and Defense Commissioner. A new Security Council including prominent human rights defender Helen Mack will assume an advisory role on security issues, he said. Berger said he would personally assume charge of implementing the modernization of the Army, which Perez Molina had previously championed.

Fiscal Reforms Move Forward

16. (U) After meeting with the President on May 18, President of Congress Rolando Morales emerged to say he and Berger had agreed to "approve a fiscal reform package we agree upon" after receiving alternate proposals from civil society, an opposition priority. Morales also claimed that Berger had agreed to send Congress the Executive's proposed budget re-allocation plan for the remainder of 2004, another opposition priority. Despite press reports that this represented an UNE-GANA agreement, on May 19 UNE leader Alvaro Colom denied that Morales had made any agreement obliging the UNE to vote in favor of the fiscal reforms. The six separate fiscal reforms were read in Congress on May 19 and 20, after the Berger budget reallocation plan was received as promised. After the formal reading, the six were sent to five Congressional committees for review. Four of the five commissions (Finance, Legislative Issues, Mines and Energy, and Health) have GANA-FRG majorities. The last, Indigenous Affairs, does not, and will consider the most controversial element of the reforms involving personal and corporate tax revisions. President Berger expressed hope that the commissions will vote on the accords after one week. He also signaled flexibility, saying the proposals "are not written in stone."

Comment

17. (SBU) The political storm over GANA-FRG collaboration to speed approval of fiscal reforms has damaged Berger and the GANA, effectively ending the new government's honeymoon. The GANA's tactic of engaging the FRG, while pragmatic and probably necessary, was abrupt and suffered from its lack of transparency. Most damaging was the fact that it undermined the GANA's credibility with its base, which remains shaken.

18. (SBU) Nevertheless, we are impressed by Berger's well-coordinated moves to recover from the buffeting precipitated by the May 17 exit from the Executive of Otto Perez Molina. The move against Rios Montt's son was clearly meant to signal that, contrary to popular conspiracy theories, Berger has not traded impunity for the Rios Montt clan for FRG votes. Rigoberta Menchu's defense of the GANA tactics helped salvage the Government's credibility and advance the prospects of fiscal reform. Those reforms still face many hurdles, especially in the Indigenous Affairs Commission, and, will undoubtedly be modified by the democratic process. Berger's announcement that he would personally assure the modernization which Perez Molina championed as key to the military reduction will help keep another important Berger initiative on track.

HAMILTON